

ORIGINAL

Decision No. 82626

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of Redwood Empire Telephone)
Company for authorization to)
borrow \$1,285,000, issue a)
certain Mortgage Note therefor)
and to execute a Supplemental)
Mortgage in connection therewith.)

Application No. 54612
(Filed January 30, 1974)

O P I N I O N

Redwood Empire Telephone Company seeks authority (a) to enter into and execute a Telephone Loan Contract Amendment, (b) to issue a Rural Electrification Administration Mortgage Note in the principal amount of \$1,285,000, and (c) to execute a Supplemental Mortgage.

Applicant is a California corporation operating a public utility telephone system in portions of the Counties of Kern, Kings, Monterey, San Luis Obispo and Sonoma. According to the application, the company has experienced an increased demand for telephone services and for a higher grade of telephone service.

In order to obtain funds for the expansion and improvement of its telephone facilities, applicant contemplates borrowing \$1,285,000 from the Rural Electrification Administration pursuant to the terms of a proposed Telephone Loan Contract Amendment. The borrowing would be evidenced by a 35-year Mortgage Note bearing interest at the rate of 5% per annum, and would be secured by an existing mortgage as heretofore supplemented and as further supplemented by a proposed Supplemental Mortgage.

The proceeds of the borrowing, supplemented by an additional \$500,000 of general funds to be furnished by applicant, would be used for the following purposes:

1. To extend telephone service to 340 new subscribers.
2. To upgrade existing service throughout the entire telephone system to single party service.
3. To provide automatic toll ticketing equipment at the San Miguel dial office.
4. To construct new central office buildings on existing sites in the San Miguel and the Berrenda Mesa exchanges.
5. To construct a new headquarters facility consisting of a new commercial office building and a combination warehouse and garage building at The Sea Ranch, a new warehouse building at San Miguel and new garage buildings at Cazadero and Timber Cove on land owned by applicant.
6. To cover engineering fees, vehicle expenses, work equipment and contingencies in connection with the proposed projects.

After consideration the Commission finds that:

1. The proposed documents would not be adverse to the public interest.
2. The proposed Mortgage Note would be for proper purposes.
3. The money, property or labor to be procured or paid for by the Mortgage Note herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of (a) amounts

to be included in proceedings for the determination of just and reasonable rates, or (b) concurrence in the reasonableness of proposed serving arrangements or tariff modifications.

O R D E R

IT IS ORDERED that:

1. Redwood Empire Telephone Company may enter into and execute a Telephone Loan Contract Amendment with the United States of America, acting through the Administrator of the Rural Electrification Administration, which document shall be in substantially the same form as Exhibit C attached to the application.
2. Redwood Empire Telephone Company may execute and deliver a Supplemental Mortgage in substantially the same form as Exhibit D attached to the application.
3. Redwood Empire Telephone Company, for the purposes specified in the application, may issue a Mortgage Note in the principal amount of not exceeding \$1,285,000, which Mortgage Note shall be in substantially the same form as Exhibit E attached to the application.
4. Redwood Empire Telephone Company shall file with the Commission the reports required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.
5. Until completion of construction of the plant and projects described in its Rural Electrification Administration application pertaining to the Mortgage Note herein authorized, all expenditures by Redwood Empire Telephone Company shall be by checks signed by an official of applicant and by either of its presently authorized countersigners, provided that no countersignature shall be required on routine payroll checks to be paid out of a special payroll account from funds transferred thereto at regular intervals by countersigned checks.

6. Redwood Empire Telephone Company shall file with the Commission evidence that it has complied with the requirements of Section 4.15 of the Telephone Loan Contract Amendment that deposits from its general funds into the Special Construction Account have been made at the times and in the amounts specified in the contract.

7. Redwood Empire Telephone Company shall make contracts and request the approval of the Rural Electrification Administration for construction in the following order of priority:

- a. Completion of REA Contract D-22 for the construction of the San Miguel-Parkfield toll line.
- b. Completion of outside plant construction and replacement in the San Miguel exchange area.
- c. Completion of outside plant construction and replacement in the Parkfield exchange area.
- d. Completion of the construction of a new central office building at San Miguel under REA Contract D-21.
- e. Purchase and installation of new central office equipment at San Miguel.
- f. Completion of the underground plant and construction of a building in the Berrenda Mesa exchange.
- g. Completion of the Cazadero-Timber Cove-Sea Ranch toll carrier under REA Contract D-23.
- h. Installation of new toll ticketing equipment and construction of a warehouse in San Miguel.
- i. Construction of a warehouse and supply depot at the Sea Ranch office area.
- j. Construction of garages for the Cazadero and Timber Cove office areas.
- k. Construction of the headquarters building at Annapolis Road at the Sea Ranch.

8. On or before the 15th day of each month, Redwood Empire Telephone Company shall file with the Commission a report for the preceding month showing the progress on each project for which the Mortgage Note proceeds are herein authorized.

9. This order shall become effective when Redwood Empire Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,285.

Dated at San Francisco, California, this 19th day of March, 1974.

Veran L. Sturges
President
William Synow J.

I abstain
J. H. Harkin Jr.

Thomas Moran
Commissioners
Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.
Commissioner

